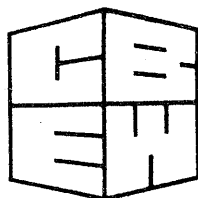


**ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE FISCAL YEAR
ENDED JUNE 30, 2014**

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INDEPENDENT AUDITOR'S REPORT

July 27, 2015

The Honorable Town Council
Town of Hinton, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Town of Hinton, Oklahoma, (Town) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hinton, Oklahoma as of June 30, 2014, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hinton, Oklahoma's basic financial statements. The budgetary comparison information on pages 28-30 and notes on page 31, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining statements and the schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2015, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants
Cushing, Oklahoma

TOWN OF HINTON, OKLAHOMA
STATEMENT OF NET POSITION (MODIFIED CASH BASIS)
JUNE 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,398,886	\$ 1,345,344	\$ 2,744,230
Restricted cash	-	23,925	23,925
Internal balances	(180,728)	180,728	-
Total assets	<u>1,218,158</u>	<u>1,549,997</u>	<u>2,768,155</u>
LIABILITIES			
Due to depositors	-	26,698	26,698
Other accruals	-	-	-
Investment pool	-	69,716	69,716
Total liabilities	<u>-</u>	<u>96,414</u>	<u>96,414</u>
NET POSITION			
Restricted	178,035	-	178,035
Committed	-	-	-
Assigned	815,826	-	815,826
Unassigned	224,297	1,453,583	1,677,880
Total net position	<u>\$ 1,218,158</u>	<u>\$ 1,453,583</u>	<u>\$ 2,671,741</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF HINTON, OKLAHOMA
STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)
YEAR ENDED JUNE 30, 2014

	Program Revenues				Net Revenue (Expense) and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs:							
Governmental activities:							
General government	\$ 517,034	\$ 10,667	\$ -	\$ -	\$ (506,367)	\$ -	\$ (506,367)
Public safety	69,632	8,690	-	-	(60,942)	-	(60,942)
Police	7,897	-	-	-	(7,897)	-	(7,897)
Municipal court	383,763	-	-	-	(383,763)	-	(383,763)
Fire	227,234	-	-	-	(227,234)	-	(227,234)
Public services	294,665	5,090	132,195	-	(157,380)	-	(157,380)
Cultural and recreation:	-	-	-	-	-	-	-
Interest on long term debt	-	-	-	-	-	-	-
Total Governmental activities	1,500,225	24,447	132,195	-	(1,343,583)	-	(1,343,583)
Business-type activities:							
Water and sewer	634,511	514,803	-	-	-	(119,708)	(119,708)
Sanitation	287,582	277,331	-	-	-	(10,251)	(10,251)
Golf course	1,140,242	95,766	-	-	-	(1,044,476)	(1,044,476)
Airport	104,086	81,921	-	-	-	(22,165)	(22,165)
Economic development	240,584	422,281	-	-	-	181,697	181,697
Educational facilities	1,046,933	-	-	-	-	(1,046,933)	(1,046,933)
Total Business-type activities	3,453,937	1,392,102	-	-	-	(2,061,835)	(2,061,835)
Total Primary Government	\$ 4,954,162	\$ 1,416,549	\$ 132,195	\$ -	\$ (1,343,583)	\$ (2,061,835)	\$ (3,405,418)

General revenues:

Taxes:				
Sales and use taxes	1,000,564	-	-	1,000,564
Franchise and public service taxes	147,787	-	-	147,787
Investment income	17,619	18,981	-	36,600
Miscellaneous	158,511	322,537	-	481,048
Transfers	30,000	(30,000)	-	-
Total general revenues and transfers	1,354,481	311,518	-	1,665,999
Change in net assets	10,898	(1,750,317)	-	(1,739,419)
Net position, beginning	1,207,260	3,203,900	-	4,411,160
Net position, ending	\$ 1,218,158	\$ 1,453,583	\$ -	\$ 2,671,741

TOWN OF HINTON, OKLAHOMA
BALANCE SHEET (MODIFIED CASH BASIS)
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 880,923	\$ 453,751	\$ 64,212	\$ 1,398,886
Due from other funds	-	297,871	4,767	302,638
Total assets	<u>\$ 880,923</u>	<u>\$ 751,622</u>	<u>\$ 68,979</u>	<u>\$ 1,701,524</u>
LIABILITIES				
Due to other funds	\$ 478,591	\$ -	\$ 4,775	\$ 483,366
Total liabilities	<u>478,591</u>	<u>-</u>	<u>4,775</u>	<u>483,366</u>
FUND BALANCES				
Restricted	178,035	-	-	178,035
Committed	-	-	-	-
Assigned	-	751,622	64,204	815,826
Unassigned	224,297	-	-	224,297
Total fund balances	<u>402,332</u>	<u>751,622</u>	<u>64,204</u>	<u>1,218,158</u>
Total liabilities and fund balances	<u>\$ 880,923</u>	<u>\$ 751,622</u>	<u>\$ 68,979</u>	<u>\$ 1,701,524</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF HINTON, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (MODIFIED CASH
BASIS)
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General Fund	Special Revenue Fund	Other Governmental Fund	Total Governmental Funds
REVENUES				
Taxes	\$ 780,818	\$ 367,533	\$ -	\$ 1,148,351
Intergovernmental	132,195	-	-	132,195
Charges for services	5,090	-	-	5,090
Fines and forfeitures	8,690	-	-	8,690
Licenses and permits	10,667	-	-	10,667
Investment income	15,699	1,868	52	17,619
Miscellaneous	96,476	-	62,035	158,511
Total revenues	1,049,635	369,401	62,087	1,481,123
EXPENDITURES				
Current:				
General Government	217,824	-	-	217,824
Public Safety				
Police	69,632	-	-	69,632
Municipal court	7,897	-	-	7,897
Fire	383,763	-	-	383,763
Public Services	99,502	127,732	-	227,234
Cultural and Recreation	98,905	61,680	134,080	294,665
Debt Service	-	-	-	-
Capital Outlay	299,210	-	-	299,210
Total Expenditures	1,176,733	189,412	134,080	1,500,225
Excess (deficiency) of revenues over expenditures	(127,098)	179,989	(71,993)	(19,102)
OTHER FINANCING SOURCES (USES)				
Transfers in	90,876	112,206	100,000	303,082
Transfers out	(81,300)	(191,782)	-	(273,082)
Total other financing sources and uses	9,576	(79,576)	100,000	30,000
Net change in fund balances	(117,522)	100,413	28,007	10,898
Fund balances, July 1, 2013	519,854	651,209	36,197	1,207,260
Fund balances, June 30, 2014	\$ 402,332	\$ 751,622	\$ 64,204	\$ 1,218,158

The accompanying notes are an integral part of the basic financial statements.

TOWN OF HINTON, OKLAHOMA
STATEMENT OF NET POSITION (MODIFIED CASH BASIS)
PROPRIETARY FUNDS
JUNE 30, 2014

	Public Works Authority	Education Facilities Authority	Airport Authority	Economic Development Authority	Sugar Creek Canyon Golf Course Trust Authority	Total
Assets						
Current Assets:						
Cash	\$ 298,294	\$ 11,981	\$ -	\$ 1,030,886	\$ 4,183	\$ 1,345,344
Restricted cash	23,925	-	-	-	-	23,925
Due from other funds	225,082	-	-	13,690	-	238,772
	<u>547,301</u>	<u>11,981</u>	<u>-</u>	<u>1,044,576</u>	<u>4,183</u>	<u>1,608,041</u>
 Total Assets	 547,301	 11,981	 -	 1,044,576	 4,183	 1,608,041
 Current Liabilities:						
Investment pool	-	-	69,716	-	-	69,716
Due to other funds	-	-	58,044	-	-	58,044
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>127,760</u>	<u>-</u>	<u>-</u>	<u>127,760</u>
Noncurrent Liabilities:						
Deposits subject to refund	26,698	-	-	-	-	26,698
Gift certificates payable	-	-	-	-	-	-
Total current liabilities	<u>26,698</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,698</u>
 Total Liabilities	 26,698	 -	 127,760	 -	 -	 154,458
 Net Position						
Restricted	-	-	-	-	-	-
Unrestricted	520,603	11,981	(127,760)	1,044,576	4,183	1,453,583
Total Net Position	<u>\$ 520,603</u>	<u>\$ 11,981</u>	<u>\$ (127,760)</u>	<u>\$ 1,044,576</u>	<u>\$ 4,183</u>	<u>\$ 1,453,583</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF HINTON, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (MODIFIED CASH BASIS)
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Public Works Authority	Education Facilities Authority	Airport Authority	Economic Development Authority	Sugar Creek Canyon Golf Course Trust Authority	Total
Operating revenues						
Water	\$ 319,111	\$ -	\$ -	\$ -	\$ -	\$ 319,111
Sewer	148,664	-	-	-	-	148,664
Sanitation	277,331	-	-	-	-	277,331
Fuel sales	-	-	72,147	-	-	72,147
Golf course fees	-	-	-	-	95,766	95,766
Other	47,028	-	9,774	422,281	-	479,083
Total operating revenue	792,134	-	81,921	422,281	95,766	1,392,102
Operating expenses						
General and administrative	240,726	-	-	-	-	240,726
Water and sewer	453,966	-	-	-	-	453,966
Sanitation	227,400	-	-	-	-	227,400
Airport	-	-	104,086	-	-	104,086
Golf course	-	-	-	-	161,022	161,022
Economic development	-	-	-	240,584	-	240,584
Total operating expenses	922,092	-	104,086	240,584	161,022	1,427,784
Operating income (loss)	(129,958)	-	(22,165)	181,697	(65,256)	(35,682)
Nonoperating revenues (expenses)						
Miscellaneous	-	-	-	257,072	50,958	308,030
Rental income	-	-	14,507	-	-	14,507
Interest income	-	18,981	-	-	-	18,981
Capital outlay	-	-	-	(979,220)	-	(979,220)
Debt service:						
Principal retirement	-	(1,040,000)	-	-	-	(1,040,000)
Interest expense and fees	-	(6,933)	-	-	-	(6,933)
Total nonoperating revenues (expenses)	-	(1,027,952)	14,507	(722,148)	50,958	(1,684,635)
Transfers and other financing sources						
Transfers in	-	-	24,000	-	-	24,000
Transfers out	(54,000)	-	-	-	-	(54,000)
Changes in net assets	(183,958)	(1,027,952)	16,342	(540,451)	(14,298)	(1,750,317)
Net position, beginning, restated	704,561	1,039,933	(144,102)	1,585,027	18,481	3,203,900
Net position, ending	\$ 520,603	\$ 11,981	\$ (127,760)	\$ 1,044,576	\$ 4,183	\$ 1,453,583

The accompanying notes are an integral part of the basic financial statements.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

In determining the financial reporting entity, the Town complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" that requires the primary government and all component units of which the primary government is financially accountable be included in the financial report. The Town's financial reporting entity includes two separate legal entities reported as the primary government

The Town of Hinton – an incorporated Town that operates under a council-mayor form of government under *Title 11, of the Oklahoma Statutes*. The Town provides the following services public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the Town – *reported as part of the primary government*.

Blended Component Unit/Trusts:

The Hinton Public Works Authority ("HPWA") - public trust created on April 5, 1988 pursuant to 60 Oklahoma Statutes 1991, § 176 et seq. to operate the water, wastewater, and sanitation services of the Town, with the Town Council serving as the governing body of the trust – *considered part of the primary government presentation for reporting purposes*.

For the above public trust, the Town of Hinton is the beneficiary of the trust and the Town Council either serve as the governing body of the trust. In addition, as required by state law, all debt obligations incurred by the trust must be approved by two-thirds vote of the Town Council. This is considered sufficient imposition of will to include the trust within the Town's financial reporting entity. The HPWA is presented as a proprietary fund type. Separate financial statements have not been prepared for this component unit.

The Hinton Airport Authority ("HAA") was created March 1, 1993 designating the Town as the beneficiary, to plan establish, develop, construct, enlarge, improve, maintain, equip, operate, regulate, protect, and police airports or other navigational facilities. Trustees of HAA are appointed by the Town Council and may be removed at will by the Town Council. The HAA is reported as a proprietary fund type. Separate financial statements have not been prepared for this component unit.

The Hinton Educational Facilities Authority ("HEFA") was created on June 13, 2005 designating the Town as beneficiary, to plan, develop and construct a multi-purpose facility at the existing school site in Hinton. The Town Council serves as trustees of HEFA. The HEFA is reported as a proprietary fund type. Separate financial statements have not been prepared for this component unit.

The Hinton Economic Development Authority ("HEDA" or the "Authority") was created June 29, 1987, to finance, develop and promote economic development activities of the Town. Trustees are appointed by the Mayor and confirmed by the Town Council and may be removed for cause by the Council. The Town assumes no responsibility for the day to day operations. The Town has no obligation for the debt of the Authority. HEDA owns a medium security correctional facility which it has leased to Cornell Corrections of Oklahoma, Inc. Separate financial statement of HEDA may be obtained by contacting their office.

1. Summary of Significant Accounting Policies (Continued)

The Sugarcreek Canyon Golf Course Trust Authority ("Sugarcreek") was created May 6, 2013, to finance, develop and promote economic development activities of the Town. Trustees are appointed by the Mayor and confirmed by the Town Council and may be removed for cause by the Council. The Town assumes no responsibility for the day to day operations. The Town has no obligation for the debt of Sugarcreek. Separate financial statement of Sugarcreek may be obtained by contacting their office.

B. Basis of Accounting and Presentation

Government-Wide Financial Statements:

The statement of net position and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles.

These modifications include adjustments for the following balances arising from cash transactions:

- cash-based interfund receivables and payables
- other cash-based receivables/payables
- investments
- utility deposit liabilities

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Program revenues within the statement of activities are derived directly from each activity or from parties outside the Town's taxpayers. The Town has the following program revenues in each activity:

- General government: License and permits
- Public safety: Fine revenue and operating grants
- Public services: Gas excise and commercial vehicle taxes
- Culture and recreation: Rental income, recreation charges

For business-type activities, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied as they apply to the modified cash basis, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Governmental Funds:

The Town's governmental funds are comprised of the following:

Major Funds:

- General Fund - accounts for all activities not accounted for in other special-purpose funds.

1. Summary of Significant Accounting Policies (Continued)

- Special Revenue Fund – account for the dedicated 1% sales tax to be used for capital improvements, in Recreation, Library and Park Facilities, health services programs and improvements and infrastructure programs.

Non-Major Funds (Reported as Other Governmental Funds):

- Hinton Recreation and Tourism Trust –accounts for activities as set forth in the trust indentures and other operations as assigned by trustee members.

The governmental funds are reported on a modified cash basis of accounting and current financial resources measurement focus. Only current financial assets and liabilities are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period. The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the economic resources measurement focus at the government-wide level.

Proprietary Funds:

Major Funds:

The Town's proprietary funds are comprised of the following:

- Hinton Public Works Authority (HPWA) – accounts for activities as set forth in the trust indentures and other operations as assigned by trustee members.
- Hinton Airport Authority (HAA) –accounts for activities as set forth in the trust indentures and other operations as assigned by trustee members.
- Hinton Educational Facilities Authority (HEFA) – accounts for multi-purpose facility at existing school site.
- Hinton Economic Development Authority (HEDA) – accounts for rental income.
- Sugarcreek Canyon Golf Course Trust Authority – accounts the operations of golf course.

The proprietary funds are reported on a modified cash basis and the current financial resources measurement focus, as defined above. Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied as applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

1. Summary of Significant Accounting Policies (Continued)

C. Cash, Cash Equivalents, and Investments

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less, and money market accounts.

Investments consist of long-term certificates of deposits, reported at cost, and shares of a government obligation mutual fund reported at the current fund share price, which also represents its fair value.

D. Capital Assets and Depreciation

Due to the use of the modified cash basis accounting, capital assets and related depreciation are not reported in the financial statements.

E. Long-Term Debt

Due to the use of the modified cash basis accounting, long term debt obligations are not reported in the financial statements. However the amount of long term debt issued and outstanding at the end of the fiscal year is reported as a commitment in Note 8.

F. Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 8. The city pays vacation leave with no limit to carry overs, but does not pay accrued sick leave.

G. Fund Balances and Net Position

Government-Wide Statements:

Equity is classified as Net Position and displayed in two components:

- a) *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- b) *Unrestricted net position* - All other net position that do not meet the definition of "restricted."

It is the Town's policy to first use restricted net position prior to the use of unrestricted net position when expenditures are incurred for purposes for which both restricted and unrestricted net position are available.

1. Summary of Significant Accounting Policies (Continued)

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned. The classifications are defined as:

- a) Nonspendable – includes amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact.
- b) Restricted – consists of fund balance with constraints placed on the use of resources either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c) Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. The Town's highest level of decision-making authority is made by ordinance.
- d) Assigned – includes amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by Town council action or management decision when the Town commission has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.
- e) Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the Town's policy to first use restricted fund balance prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The Town's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Proprietary fund equity is classified the same as in the government-wide statements.

H. Internal and Interfund Balances and Transfers

The Town's policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

2. Deposits and Investments

For the year ended June 30, 2014, the Town recognized \$17,169 of investment income. At June 30, 2014, the primary government held the following deposits and investments:

Type	<u>Carrying</u> <u>Value</u>
Deposits:	
Demand deposits	\$ 1,923,637
Time deposit	261,487
 Investments:	
Money market	AAAm 991,835
 Total deposits and investments	 <u>\$ 3,176,959</u>
 Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 2,732,249
Restricted cash	444,710
	<u>\$ 3,176,959</u>

Custodial Credit Risk

Exposure to custodial credit related to deposits exists when the Town holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Town's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the Town holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Town's name.

The Town's policy as it relates to custodial credit risk is to comply with state law and secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. Acceptable collateral is defined in state statutes and includes U.S. Treasury securities and direct debt obligations of municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors or loan committee. At June 30, 2014, the Town had collateral to cover all bank balances.

2. Deposits and Investments (Continued)

Investment Credit Risk

The Town limits its investments to those allowed in state law applicable to municipalities. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations—rating agencies—as of the year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. The Town's only marketable investments at June 30, 2014 consisted of \$991,835 in money market funds invested in U.S. Treasury securities with a credit rating of AAAM by Standard and Poors.

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's has no investment policy that limits based on maturity. The Town discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments. As noted in the schedule of deposits and investments above, at June 30, 2014, the investments were limited to a time deposits and shares of money market funds invested in U.S. Treasury securities not exposed to interest rate risk.

Concentration of Investment Credit Risk

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the Town (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The Town has no investment policy regarding concentration of credit risk. At June 30, 2014, the Town had no concentration of credit risk as defined above.

Restricted cash and Investments – The amounts reported as restricted assets on the statement of net position are comprised of amounts for utility deposits.

3. Sales Tax Revenue

Sales tax revenue represents a 3 cent local tax on each dollar of taxable sales within the Town, of which 1 cent is restricted. One third of the 1 cent is for library, recreation, and park facilities programs and improvements, one third of the 1 cent is for health services programs and improvements, and one third of the one cent is for infrastructure programs and improvements. This sales tax as written in Section 1-86 of Article 5, Chapter 1 of the Code of Ordinances, Town of Hinton, Oklahoma was extended by ordinance 2012-01.

4. Property Tax Levy

The Town presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the Town.

TOWN OF HINTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

5. Internal and Interfund Balances and Transfers

Interfund receivable and payables at June 30, 2014 were comprised of the following:

Due from	Amount	Due to
General Fund	225,082	PWA
General Fund	219,395	Special Revenue
Airport Authority	58,044	Special Revenue
General Fund	15,657	Special Revenue
General Fund	13,690	HEDA
HRTT	4,775	Special Revenue
General Fund	4,767	HRTT

Transfers are comprised of the following:

Transfers From	Transfer To	Amount	Purpose
General Fund	Special Revenue	57,300	Operating transfer
PWA	General Fund	54,000	Operating transfer
General Fund	Airport	24,000	Operating transfer
Special Revenue	General Fund	36,876	Operating transfer
HRRT	Special Revenue	100,000	Operating transfer

6. Risk Management

The Town and its public trusts are exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. These risks are managed by securing commercial insurance for all risks. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

7. Employee Retirement Plan Participation

The Town of Hinton participates in four pension or retirement plans:

- Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
- Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
- Oklahoma Public Employees Retirement System (OPERS) – an agent multiple-employer defined benefit plan

Firefighter Pension System:

Plan Summary Information. The Town of Hinton, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS). The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the Town must participate in the plan if they employ full-time or volunteer firefighters.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OFPRS, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

Funding Policy. OFPRS plan members are required to contribute 8% to the plan. The Town is required by state law to contribute 13% per year of covered payroll per paid firefighter. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OFPRS contributions are as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2012	\$2,100	\$2,100
2013	\$1,853	\$1,853
2014	\$1,080	\$1,080

Police Pension System:

Plan Summary Information. The Town of Hinton, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Police Pension and Retirement System (OPPRS). The OPPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the Town must participate in the plan if they employ a certain number of full-time police officers.

The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OPPRS, 1001 N.W. 63rd St., Suite 605, Oklahoma City, OK 73116-7335.

7. Employee Retirement Plan Participation (Continued)

Funding Policy. OPPRS plan members are required to contribute 8% to the plan. The Town is required by state law to contribute 13% per year of covered payroll for each police officer. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OPPRS contributions are as follows:

	Required	Amount
<u>Fiscal Year</u>	<u>Contribution</u>	<u>Contributed</u>
2012	\$28,720	\$28,720
2013	\$26,114	\$26,114
2014	\$23,857	\$23,857

Oklahoma Public Employees Retirement System (OPERS)

Plan Description- The OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is delegated to state legislature. The OPERS issues a publicly available financial report that includes financial statements and required supplementary information for the non-firefighting employees of the Town. That report may be obtained by writing to the Oklahoma Public Employees Retirement System, P.O. Box 53007, Oklahoma City, Oklahoma 73152, or by calling 1-405-858-6737.

Funding Policy- Plan members (including eligible employees of the Hinton Economic Development Authority) are required to contribute 3.5% of their annual covered salary and the Town of Hinton contributes 16.5% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by the state legislature. Contributions to the OPERS for the year ended June 30, 2014, for employees and employer were \$13,452 and \$63,416, respectively, on covered payroll of \$384,340.

Future Rate Increases- The State of Oklahoma has passed Senate Bill #1134 which increased the contribution rate paid by the Town to the Plan. The Town's contribution percentage will increase by 1% annually through the fiscal year ending June 30, 2013, when reaches the maximum rate of 16.5%. For the year ended June 30, 2014 the Town's contribution percentage was 16.5%.

8. Commitments and Contingencies

Business-type activities long-term debt payable from net revenues generated by the utility resources or pledged to the debt include the following:

Bonds payable:

\$2,930,000 Hinton Educational Facilities Lease Revenue Bonds, Series 2005 due in annual principal installments of \$590,000 to \$1,040,000 through September 1, 2013, interest rate ranges from 3.70% to 4.375%. The bonds are a legal obligation of the Hinton Educational Facilities Authority and do not constitute an obligation to the Town of Hinton. During the fiscal year ended June 30, 2014, these bonds were paid off.

Compensated Absences:

As a result of the Town's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2014, is summarized as follows:

Public Works Authority – accrued compensated	\$11,783
General Fund – accrued compensated absences	<u>17,476</u>
Total	<u>\$29,259</u>

Litigation:

The Town is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a Town "Sinking Fund" for the payment of any court assessed judgment rendered against the Town. These statutory provisions do not apply to the Town's public trust Authorities. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the Town and the State statute relating to judgments, the Town feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the Town.

9. Restatement of Net Position

The Town restated beginning net position of the Hinton Public Works Authority due to an accounting error. Restricted cash and beginning net position were both reduced by \$420,785 to correct this error.

10. Subsequent Events

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

UNAUDITED
TOWN OF HINTON, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE (MODIFIED CASH BASIS)
GENERAL FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Favorable
	Original	Final	Budget	(Unfavorable)
			Basis	Variance
REVENUES				
Taxes	\$ 727,547	\$ 727,547	\$ 780,818	\$ 53,271
Intergovernmental	125,500	125,500	132,195	6,695
Charges for services	1,500	1,500	5,090	3,590
Fines and forfeitures	8,000	8,000	8,690	690
Licenses and permits	-	-	10,667	10,667
Investment income	3,000	3,000	15,699	12,699
Miscellaneous	84,200	84,200	64,692	(19,508)
Total revenues	949,747	949,747	1,017,851	68,104
EXPENDITURES				
Current:				
General Government				-
Personal service	172,100	172,100	153,460	18,640
Materials and supplies	4,300	4,300	4,418	(118)
Other services and charges	174,800	174,800	59,946	114,854
Capital outlay	100,000	100,000	107,369	(7,369)
Public Safety				
Police				-
Personal service	186,000	186,000	295,023	(109,023)
Materials and supplies	7,000	7,000	4,119	2,881
Other services and charges	49,500	49,500	84,621	(35,121)
Capital outlay	5,000	5,000	1,438	3,562
Municipal court				-
Personal service	7,000	7,000	3,300	3,700
Materials and supplies	-	-	-	-
Other services and charges	4,000	4,000	4,598	(598)
Capital outlay	-	-	-	-
Fire				-
Personal service	38,200	38,200	25,622	12,578
Materials and supplies	40,000	40,000	25,877	14,123
Other services and charges	40,000	40,000	18,133	21,867
Capital outlay	122,000	122,000	178,496	(56,496)
Public Services				-
Personal service	71,000	71,000	60,918	10,082
Materials and supplies	3,000	3,000	10,791	(7,791)
Other services and charges	16,000	16,000	27,792	(11,792)
Capital outlay	-	-	9,979	(9,979)
Cultural and Recreation				-
Personal service	30,000	30,000	60,375	(30,375)
Materials and supplies	12,000	12,000	9,629	2,371
Other services and charges	3,400	3,400	28,901	(25,501)
Capital outlay	-	-	1,928	(1,928)
Total Expenditures	1,085,300	1,085,300	1,176,733	(91,433)
Excess (deficiency) of revenues over expenditures	(135,553)	(135,553)	(158,882)	(23,329)
OTHER FINANCING SOURCES (USES)				
Transfers in	308,000	308,000	90,876	217,124
Transfers out	-	-	(81,300)	(81,300)
Total other financing sources and uses	308,000	308,000	9,576	-
Net change in fund balances	172,447	172,447	(149,306)	-
Fund balances, July 1, 2013	-	-	519,854	-
Fund balances, June 30, 2014	\$ -	\$ -	\$ 370,548	\$ -

UNAUDITED
TOWN OF HINTON, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE (MODIFIED CASH BASIS)
SPECIAL REVENUE
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Favorable
	Original	Final	Budget	(Unfavorable)
			Basis	Variance
REVENUES				
Taxes	\$ 310,000	\$ 310,000	\$ 367,533	\$ 57,533
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Investment income	3,000	3,000	1,868	(1,132)
Total revenues	313,000	313,000	369,401	56,401
EXPENDITURES				
Current:				
Public Health/ Ambulance				-
Personal service	-	-	-	-
Materials and supplies	-	-	-	-
Other services and charges	129,000	129,000	127,732	1,268
Recreation				-
Personal service	-	-	-	-
Materials and supplies	-	-	-	-
Other services and charges	135,876	135,876	61,680	74,196
Library				-
Personal service	-	-	-	-
Materials and supplies	-	-	-	-
Other services and charges	36,800	36,800	-	36,800
Infrastructure				-
Personal service	-	-	-	-
Materials and supplies	-	-	-	-
Other services and charges	410,000	410,000	-	410,000
Total Expenditures				75,464
Excess (deficiency) of revenues over expenditures	313,000	313,000	369,401	56,401
OTHER FINANCING SOURCES (USES)				
Transfers in	497,300	497,300	112,206	385,094
Transfers out	-	-	(191,782)	(191,782)
Total other financing sources and uses	497,300	497,300	(79,576)	193,312
Net change in fund balances	810,300	810,300		-
Fund balances, July 1, 2013	-	-	651,209	-
Fund balances, June 30, 2014	\$ -	\$ -	\$ 651,209	\$ -

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

BUDGETARY INFORMATION

Budget Law

The City prepares its annual operating budget under Titles 11 of the Oklahoma Statutes. Under the provisions of these statutes, the City uses the following process when adopting their budget:

- Prior to June 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.
- Public hearing are conducted to obtain citizen comments. At least one public hearing must be held no later than 15 days prior to July 1.
- Subsequent to the public hearings but no later than seven days prior to July 1, the budget is adopted by resolution of the City Council.
- The adopted budget is filed with the Office of State Auditor and Inspector.

The legal level of control at which expenditures may not legally exceed appropriations is object category level by department within a fund. The Budget Act recognizes the following object categories as the minimum legal level of control by department within a fund:

- Personal services
- Materials and supplies
- Other services and charges
- Capital outlay
- Debt service
- Interfund transfers

All transfers of appropriations between departments and supplemental appropriations require City Council approval. The Mayor may transfer appropriations between object categories within a department without City Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

Basis of Accounting

The budget is prepared on the modified cash basis of accounting. Revenues and expenditures are reported when they result from cash transactions except for certain expenditures which are recorded when a commitment to purchase goods or services is made (encumbered).

TOWN OF HINTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

OTHER INFORMATION

JUNE 30, 2014

TOWN OF HINTON, OKLAHOMA
BALANCE SHEET (MODIFIED CASH BASIS)
GOVERNMENTAL FUNDS
JUNE 30, 2014

	Hinton Recreation and Tourism Trust	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 64,212	\$ 64,212
Due from other funds	4,767	4,767
Total assets	<u>\$ 68,979</u>	<u>\$ 68,979</u>
LIABILITIES		
Due to other funds	\$ 4,775	\$ 4,775
Total liabilities	<u>4,775</u>	<u>4,775</u>
FUND BALANCES		
Restricted	-	-
Committed	-	-
Assigned	64,204	64,204
Unassigned	-	-
Total fund balances	<u>64,204</u>	<u>64,204</u>
Total liabilities and fund balances	<u>\$ 68,979</u>	<u>\$ 68,979</u>

TOWN OF HINTON, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS)
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

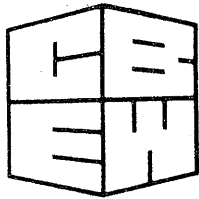
	Hinton Recreation and Tourism Trust	Total Governmental Funds
REVENUES		
Taxes	\$ -	\$ -
Intergovernmental	-	-
Charges for services	-	-
Fines and forfeitures	-	-
Licenses and permits	-	-
Investment income	52	52
Miscellaneous	62,035	62,035
Total revenues	<u>62,087</u>	<u>62,087</u>
EXPENDITURES		
Current:		
General Government	-	-
Public Safety		
Police	-	-
Municipal court	-	-
Fire	-	-
Public Services	-	-
Cultural and Recreation	134,080	134,080
Debt Service	-	-
Capital Outlay	-	-
Total Expenditures	<u>134,080</u>	<u>134,080</u>
Excess (deficiency) of revenues over expenditures	<u>(71,993)</u>	<u>(71,993)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	100,000	100,000
Transfers out	-	-
Total other financing sources and uses	<u>100,000</u>	<u>100,000</u>
Net change in fund balances	<u>28,007</u>	<u>28,007</u>
Fund balances, July 1, 2013	36,197	36,197
Fund balances, June 30, 2014	<u>\$ 64,204</u>	<u>\$ 64,204</u>

TOWN OF HINTON
Hinton, Oklahoma

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Revenue Collected</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Transportation:</u>				
Federal Aviation Administration - Airport Improvement Program	20.106	600,000	197,626	197,626
<u>U.S. Department of Justice:</u>				
<u>Passed through the Oklahoma District Attorneys Council:</u>				
Edward Bynes Grant	16.738	9,308	9,308	9,308
<u>Office of Library Services, Institute of Museum and Library Services, National Foundation on the Arts and the Humanities:</u>				
<u>Passed through the Oklahoma Department of Libraries:</u>				
National Science Foundation	47.076	2,500	2,500	2,500
State Library Program	45.310	4,888	4,888	4,888
Sub-total		<u>7,388</u>	<u>7,388</u>	<u>7,388</u>
Total of Expenditures of Federal Awards		\$ <u>616,696</u>	\$ <u>214,322</u>	\$ <u>214,322</u>

Note A - This schedule was prepared on an accrual (GAAP) basis of accounting consistent with the preparation of the basic financial statements.



CBEW
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Group, LLP

Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

July 27, 2015

Honorable Board of Town Commissioners
Town of Hinton
Hinton, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hinton, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Hinton, Oklahoma's basic financial statements, and have issued our report thereon dated July 27, 2015. The Town's financial statements are presented on a modified cash basis of accounting. Additionally, the Town did not present the Management's Discussion and Analysis required by the Governmental Accounting Standards Board.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 14-1.

Town's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants
Cushing, Oklahoma

**TOWN OF HINTON
Hinton, Oklahoma**

**SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2014**

14-1. Compliance – Oklahoma Budget Laws

Condition: Oklahoma Budget Law requires local government entities to amend the original budget to the Excise Board when actual expenditures exceed budgeted expenditures in the Special Revenue Fund.

Criteria: A schedule should be kept monthly comparing total expenditures to budgeted expenditures to evaluate whether an amendment needs to be made to the Excise Board. This finding was also noted in 2013.

Effect: Without a monthly schedule to compare budget to actual expenses, the Town would not know when non-compliance exists.

Recommendation: We recommend that management implement a monthly schedule of budget to actual for expenditures and amend the budget when actual expenses exceed budgeted expenses.

Response: Management will create a monthly schedule and compare the actual expenses to the budgeted expenses. Management will also amend the budget as needed and submit to the Excise Board.